Development Cost Charge

GUIDE FOR ELECTED OFFICIALS

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Table of Contents

Introduction	2
DCCs Defined	4
Establishing DCCs	7
When to use DCCs	22
DCCs in the Broader Context	24
DCCs and Development	27
DCCs across British Columbia	29
Closing Comments	31

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Introduction

It is widely accepted that growth, when facilitated by good planning, benefits communities and their economies. Local governments have come to recognize, however, that the accommodation of growth is not a cost-free exercise. Growth creates demands for the construction of new infrastructure, and the expansion of existing local services. The cost of meeting these demands is often substantial and, at times, beyond the ability of local governments to fund using existing financial resources.

The development industry understands that growth creates new demand for local government infrastructure and services. The industry also understands that local governments are not able to directly absorb all growth-related service costs, and that growth itself should assist in funding service needs. A range of development finance tools has been created to enable local governments to collect from development a portion of growth-related expenditures. Development cost charges (DCCs) represent one such tool.

The *DCC Guide for Elected Officials* is designed to increase understanding about DCCs among local government leaders. The *Guide* uses a "question & answer" format, which addresses important questions on DCCs and their use. The questions are grouped under the following headings:

- DCCs Defined;
- Establishing DCCs;
- When to Use DCCs;
- DCCs in the Broader Context;
- DCCs and Development; and,
- DCCs across British Columbia.

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The *Guide* deals with the basics, or fundamentals, of DCCs.

For a more detailed review and information about the technical aspects of DCCs, please refer to the *Development Cost Charge Best Practices Guide*, a Ministry of Community Services publication available electronically through the search function of the British Columbia Government website at www.gov.bc.ca

What are development cost charges?

Development cost charges are fees that municipalities and regional districts choose to collect from new development to help pay the cost of off-site infrastructure services that are needed to accommodate growth.

Local governments are limited in the types of services they may fund using DCC revenues. Specifically, DCCs may be used to help offset costs associated with the provision, construction, alteration or expansion of:

- roads, other than off-street parking;
- sewer trunks, treatment plants and related infrastructure;
- waterworks; and,
- drainage works.

DCCs may also be collected to assist in the acquisition and development of parkland, but may not be used to pay for other types of services, such as recreation, policing, fire and library, that are affected by growth.

DCCs are applied as one-time charges against residential, commercial, industrial and institutional developments. DCCs are usually collected from developers at the time of subdivision approval in cases where such approval is required. Where subdivision approval is not required, the charges are applied at the building permit approval stage.

DCCs may be imposed on most, but not all, development that occurs in a community. The *Local Government Act* specifies that DCCs may not be levied against:

- any building which is used solely for public worship;
- developments that are subject to a land-use contract;
- a residential building which contains fewer than

four units, unless otherwise specified by the local government; and,

- developments of less than $50,000 in value, unless otherwise specified by the local government.

What is the history of DCCs in British Columbia?

The history of DCCs in British Columbia began in 1958. In that year, amendments to the *Municipal Act* were made to address the growing inability of local governments to fund growth-related works. The amendments empowered the approving officer in each municipality to reject a subdivision plan if, in the opinion of the officer, the cost to the municipality of providing the related off-site infrastructure services was excessive.

Prior to these changes, municipalities were expected to provide off-site infrastructure services to all subdivisions using tax revenues and other sources of funding. Approving officers were not permitted to reject applications on the basis of servicing costs. With the changes to the *Municipal Act*, municipalities introduced Excessive Subdivision Cost Bylaws or Impost Fees to try to recover servicing costs for new development.

Court challenges in the early 1960s resulted in impost fees being rendered invalid. Municipalities, it turned out, had the authority to reject subdivision plans on the basis of service costs, but had no authority to tie the approval of plans to the payment of impost fees. The court rulings returned municipalities to the difficult position they occupied prior to 1958. To capture the benefits from growth, municipalities had to fund, on their own, the off-site infrastructure required to accommodate the growth. If municipalities were unable to fund the infrastructure, development applications were rejected, and the benefits from growth were lost.

Further amendments to the *Municipal Act* were introduced to overcome this dilemma. In 1971, local governments were given the power to enter into land use contracts with developers. These contracts became the vehicle for imposing off-site infrastructure servicing requirements and impost fees on development within the specified contract area. The validity of imposing fees under these contracts was upheld by the courts.

Land use contracts often involved protracted negotiations and produced a patchwork of contracts, each with its own requirements and fees for development. In 1977, land use contract powers were eliminated, and the current authority to impose development cost charges was introduced.

Using DCCs, local governments (municipalities and regional districts) can apply a common set of rules and charges to all development within a community.

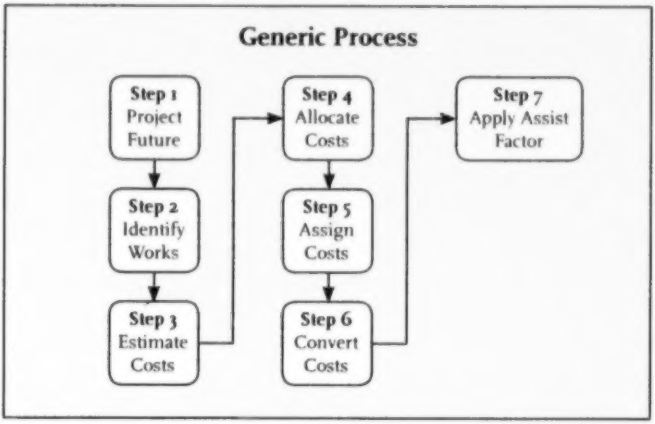
Over the past twenty-five years, court rulings and legislative changes have refined DCCs and their application in British Columbia. The fundamental principle and structure of DCCs, however, remains unchanged.

How are DCC rates calculated?

The calculation of DCCs brings together a number of pieces of information, including the:

- types, locations and amounts of growth that are projected to occur over a specified future period;
- infrastructure services required over the same period to accommodate the growth;
- estimated cost of the services;
- portion of the total cost to be paid by the existing population (which benefit from new infrastructure);
- relative impact of each type of growth on the services; and,
- degree to which the existing users assist growth in paying its share of costs.

Approaches to calculating DCCs will vary to some extent by community. It is possible, however, to outline a set of generic steps that are important to developing a DCC program. The accompanying flowchart presents a generic seven-step process. The text below the chart describes each individual step in detail.



- **STEP 1 – Project Future Growth**
  A local government begins the process by determining the amount of growth that is projected to occur over a specified future period of time (e.g., 5 years, 10 years, and 20 years). Because DCCs are applied to actual development instead of new population, the amounts of the different types of development that are expected to occur are projected. Most local governments project figures for various types of residential development (e.g., single family, townhouses, apartment), as well as commercial, industrial and institutional growth.

- **STEP 2 – Identify Required Works**
  Once growth has been projected, the local government determines the specific infrastructure works that will be required to accommodate the growth. As noted earlier, DCCs can only be collected to help fund waterworks, wastewater projects, drainage works, major roads, and acquisition and development of parkland. Other infrastructure services cannot be funded, in whole or in part, using DCC revenues, and are, therefore, not identified in the calculation.

- **STEP 3 – Estimate Infrastructure Costs**
  The infrastructure projects identified in Step 2 are costed in Step 3 of the process. For DCC purposes, the total cost estimate for each project can include a variety of separate costs that will be incurred by the local government in providing the infrastructure. Project costs related to the following activities may be included.

  - Planning
  - Engineering design
  - Land acquisition
  - Contract administration
  - Contingencies
  - Remittance of net GST
  - Public consultation
  - Right of way
  - Interim debt financing
  - Construction
  - Legal review

Long-term debt financing costs cannot be included in cost estimates for DCC projects.

- **STEP 4 – Allocate Costs to Growth/Existing Users**
  Not every project identified for DCC purposes will be required solely to accommodate growth. Most, if not all, of the identified works will be deemed to benefit, and will be required by, both growth and the existing population. Growth is expected to pay only for the portion of the works that it requires. The existing population is expected to pay for the remaining portion using other sources, such as tax and utility revenues.

  The costs of the DCC works are allocated between growth and the existing population on the basis of benefit.

- **STEP 5 – Assign Costs to Land Use Types**
  Once the infrastructure costs have been allocated between the existing population and growth, the portion attributable to growth is assigned to the various types of growth – residential, commercial, industrial, institutional – that are projected to occur. Costs are assigned in a way that reflects the relative impact of each type of development on the works required.

- **STEP 6 – Convert Costs into DCC Rates**
  The assigned infrastructure costs are converted into actual DCC rates that can be charged to individual development projects. The total cost assigned to each development type is divided by the number of development units (e.g., number of dwellings, square metres, hectares) expected over the DCC program time frame. The result is a per-unit charge that can be easily applied to individual developments as they occur.

- **STEP 7 – Apply Assist Factor**
  The final step in calculating DCCs is to apply the assist factor. The assist factor is the contribution that the existing population must provide to assist future growth in paying its portion of the DCC infrastructure costs. The assist factor is over-and-above the portion of the total infrastructure cost that is allocated to existing users in Step 4.

  The assist factor reduces the DCC rates by the specific level of assist chosen. Under the *Local Government Act*, the level chosen must be at least one percent.

What are some of the decisions that need to be made?

Over the course of the DCC establishment process, local governments are required to make certain decisions. Individually and together, these decisions give shape to the DCC program, and help to determine the specific DCC rates. Some examples of the types of decisions local governments need to make are provided below.

Time period for the DCC program
A local government must choose a future period of time over which to apply its DCC program. This choice will be influenced by the time period that has been established for the community's broader growth management framework, particularly its Official Community Plan (OCP) and servicing plans.

The OCP projects the amount and types of growth that are expected in the community over a specified future period of time. The servicing plans identify the servicing efforts that the community needs to undertake in order to provide for, and to shape, the growth that is projected to occur.

In many communities, the OCPs and servicing plans cover only a short- or medium-term future period of five to ten years. Local governments in these places are limited to the same period for their DCC programs (the required growth and infrastructure projections for longer DCC programs are not available). An increasing number of local governments are now, however, beginning to conduct detailed growth and capital planning exercises for longer periods of time, in some cases twenty years. The data available from the long-term planning efforts enable these local governments to create equally long-term DCC programs.

For a number of reasons, long-term DCC programs are considered preferable to short-term programs. Long-term programs tend to provide greater flexibility to governments in the scheduling of works, since specific works can be delayed or brought forward without upsetting the overall rate structure. Developers know that the rates charged today will remain relatively stable over a longer period of time. Longer time frames provide greater certainty to developers who wish to invest in communities.

It should be noted that local governments that extend their DCC programs over a long-term period are not "locked in" to the set of DCC rates and the specific infrastructure projects for the entire duration of the program. Like all long-term planning documents, DCC programs are regularly updated to account for changes in trends, policy objectives, inflation and other inputs. These updates provide local governments the opportunity to modify DCC programs and rates.

Use of DCC sectors

By default, a local government's DCC program applies to all new development throughout the entire community. Local governments may choose, however, to divide the community into different DCC sectors, and develop a separate DCC program for each one. Local governments may even choose to have different sets of sectors for different types of works. For example, three sectors for roads, five sectors for drainage, and so on.

The decision to establish DCC sectors will reflect, in part, a community's planning goals. A community that wishes to encourage efficient, higher density development in a town centre, for example, may create a separate town centre DCC sector for roads. The roads DCC program for this sector would allow the local government to take into account the low impact that high density housing has on roads, relative to that of additional road requirements for low density, suburban housing. The lower road DCC rates in the town sector would acknowledge the differences in impact.

The decision to establish sectors may reflect, in addition, the infrastructure projects to be developed. Some works, such as wastewater collectors, pump stations and water mains may be deemed to have a specific benefit to a defined area. The creation of DCC sectors for the funding of these works would promote the principle of equity by enabling the local government to apply the project costs directly, and solely, to the project beneficiaries. Other works, such as wastewater and water treatment plants, tend to provide a broad and equal benefit to the entire community. Separate DCC sectors would probably not be appropriate for these works.

Method of allocating costs

As noted earlier, off-site infrastructure services required to accommodate growth will often provide some benefit to the existing population. Where a dual benefit is deemed to exist, growth should not be expected to fund the entire cost of the DCC works. The existing population should, through its local government, pay its fair share, using tax or other financing sources.

Calculating the existing population's share of costs is, in some cases, an exact process. Consider a new wastewater treatment plant. Existing users will represent an exact percentage of the total number of users (including newcomers) that will ultimately be connected to the system. The actual percentage can be used to represent the existing population's share of costs.

In other cases, the local government may choose to take a different approach to allocating costs. Consider a major, 20-year road program. Any attempt to precisely determine the existing population's benefit may prove difficult. The local government may determine that the major road program will equally benefit growth and the existing population, and decide the cost for the program be split 50-50.

The decision on how to allocate costs between growth and the existing population is a choice over which a local government has considerable discretion. However, the decision should be defendable on the basis of sound and well-reasoned arguments, because it will be scrutinized by the public, development industry and reviewed by the Ministry of Community Services.

Assigning costs to land use types

Each type of development has a different impact on the off-site infrastructure services being provided. The impact of each type, relative to that of others, needs to be considered when assigning the portion of total infrastructure costs attributable to growth - costs need to be assigned to development types on the basis of relative impact.

Local governments express relative impacts in terms of "equivalent units." Equivalent units express the impact of each type of development on a service relative to that of a single-family house. The relative impacts of the different development types will vary, as might be expected, by type of service.

Different sets of equivalent units, therefore, need to be developed for each service being included in a DCC program. Various sources of data are used by local governments to help establish equivalent units. Trip generation manuals published by traffic engineering associations are often used to determine relative impacts on road networks. Water usage data, collected from water metres, can be used to help determine relative impacts on waterworks.

Assist factor

The assist factor is the contribution that the existing municipality and/or regional district must provide to help growth in meeting its service cost obligations. The assist factor is over-and-above the portion of the infrastructure cost that is allocated to the existing population. Under the *Local Government Act*, the assist factor must be at least one percent.

The assist factor may vary by type of infrastructure, but not by type of development, or by DCC sector. For example, the assist factor applied to roads may differ from the factor applied to waterworks. A common roads assist factor, however, must be applied to all types of development throughout the entire community.

The setting of the assist factor is a policy decision made by elected officials. Decision-making should take into consideration the local government's objectives in addressing issues of land efficiency, housing affordability, and community sustainability. In some communities the assist factor is used as a tool to promote certain goals, such as the development of affordable housing.

Who is involved in determining the rates?

Elected officials, staff and stakeholders have important roles to play in determining DCC rates.

Elected Officials

Municipal councils and regional district boards are responsible for the DCCs that are imposed on new development in their communities. Given this responsibility, it is important for elected officials to be involved in setting the rates.

Councils and regional district boards have some specific responsibilities. They must make decisions on a wide variety of issues – some of which have been discussed already – that arise during the DCC establishing process. In making decisions, the elected officials rely on staff to identify options, outline implications and provide recommendations.

Elected officials are also responsible for ensuring that the DCCs reflect important best practices, as well as key principles such as fairness and equity. Are the DCCs fair to both growth and existing ratepayers?

Finally, elected officials need to remain aware of their statutory obligation to consider the impact of the DCCs on development and, in particular, the development of reasonably-priced housing and serviced land.

Staff

Staff have two key responsibilities in the DCC rate-setting process. First, staff are responsible for undertaking all of the technical work required to produce, collect and assemble the data. Second, staff are responsible for advising the elected officials on the full range of issues that need to be considered. Examples of such issues include:

- the possible use of DCC sectors in place of area-wide charges;
- the time frame for the DCC program;
- the types of development to be charged under different DCC categories (e.g., should all types of development pay parkland DCCs?);
- the development units on which to base charges (e.g., dwelling unit or size of built floor space);
- the eligibility of projects and the cost components to include in determining total project cost;
- the allocation of project costs between new and existing growth; and,
- the size of the assist factor.

Staff need to bring each of these issues, along with options and recommendations, to elected officials.

An additional role for staff in the rate-setting process is to help elected officials understand DCCs. In some communities, staff begin each DCC review with a detailed briefing on the purpose of DCCs, and the issues that need to be considered by council or the regional district board.

Stakeholders

It is important for local governments to involve key stakeholders in setting DCC rates. As explained in the *DCC Best Practices Guide*, stakeholders include "all persons, groups or organizations that have a perceived, actual or potential stake or interest in the results of the decision-making process." The list of stakeholders in developing DCCs should include:

- development industry groups, such as the Urban Development Institute, the Canadian Home Builders Association, and the British Columbia Real Estate Association;
- local private sector developers;
- public sector developers such as the local School District and Health Authority;
- business groups such as the Chamber of Commerce;
- local ratepayers groups and neighbourhood associations; and,
- the general public.

Each of these stakeholders will be impacted, to some degree, by the DCC rates established. Some will be impacted directly, in that they will have to pay the rates in order to proceed with development. Others will be impacted indirectly. Existing ratepayers, for example, will be required to pay the share of infrastructure costs that is not applied to growth.

During the DCC rate-setting process, the local government needs to provide opportunities for stakeholders to become informed of the issues and options, and to participate in the decisions that are made by the elected officials. At a minimum, the local government should hold a general public information meeting to present a draft DCC bylaw. The local government could also ask interested parties to review and comment on a draft DCC program. Stakeholder forums are another method of involvement to consider.

Some local governments have developed, in conjunction with the Urban Development Institute, local government liaison committees. These committees provide a forum for government officials to meet regularly with development industry representatives to discuss important issues, including DCCs.

The appropriate degree of stakeholder involvement will depend on a number of factors, including the size of the DCC program, the potential impact of the DCC rates, the level of interest expressed by stakeholders to participate and the local government's policy with respect to stakeholder involvement in governance. In all cases, some effort to provide meaningful opportunities for participation should be made. The opportunities should be available early in the DCC setting process, before any final decisions have been made.

The *DCC Best Practices Guide* recommends at least three opportunities for stakeholder involvement in the DCC rate-setting process:

- during the development of draft DCC rates by staff;
- immediately following first reading of the DCC bylaw by council or regional district board; and,
- during the revision of the bylaw, before second reading.

How are DCCs implemented?

DCCs are implemented by bylaw. Council or the regional district board initiates the bylaw process by instructing staff, often in response to a staff recommendation, to develop a DCC bylaw or amend an existing DCC bylaw. Staff develop the bylaw with input from the elected body and stakeholders, then forwards the bylaw to council or the regional district board for first reading. After first reading, more consultation with stakeholders and the governing body is undertaken to obtain input and to determine if amendments are required. Council or the regional district board then gives the bylaw second and third reading.

After third reading, the local government forwards the bylaw and all supporting information to the Ministry of Community Services, for the review of the Inspector of Municipalities, who is required under the *Local Government Act* to review and give approval to the bylaw before fourth reading. The bylaw and supporting documents are reviewed to ensure that:

- the methodology used to determine the rates is sound and complies with all legislative requirements;
- stakeholders have been consulted; and,
- the impacts of the rates on development have been considered.

If there are no issues with the bylaw, the Inspector of Municipalities grants statutory approval and returns it to the local government. Council or the regional district board gives fourth reading to the bylaw, after which it is ready to be implemented.

There are some specific policy issues related to implementation that the local government needs to consider. One issue concerns when to collect DCCs from growth. The *Local Government Act* states that DCCs are payable either at the time of subdivision approval, or at the issuance of a building permit. For single family residential developments, local governments typically choose to collect payments at subdivision approval in order to avoid having to front-end any infrastructure costs.

For non-residential development, local governments usually collect DCCs at the time of building permit issuance. DCCs for these developments are often based on built floor space rather than dwelling unit (the total floor space to be charged can be difficult to determine at subdivision approval). With respect to multi-family development, local governments often have no choice but to collect payments at the building permit stage, since multi-family housing subdivisions are relatively infrequent, compared to single family development subdivisions.

Another policy decision for elected officials relates to the notion of a "grace period." A grace period is the period of time between the approval of the DCC bylaw and the bylaw's effective date of application. If the rates in the bylaw are significantly higher than those that were previously charged, the local government may wish to grant a substantial grace period (e.g., up to one year) to allow developers to expedite projects for which financing has already been arranged.

Finally, it should be noted that the *Local Government Act* gives some protection to "in-stream" developments. Developments that have submitted complete subdivision applications, and that have paid their subdivision

application fees, are given a 12 month exemption from new DCC rates. These developments are entitled to pay the lower existing DCCs as long as they receive final subdivision approval during the 12 month period. This in-stream protection is distinct from any grace period that the local government may choose to offer.

When to use DCCs

When are DCCs a good idea?

DCCs are best suited to situations in which expenditures on works can be delayed until the DCC funds required to help pay for the works have been collected. As growth occurs, a local government begins collecting DCCs to help fund the necessary infrastructure. If possible, the local government will choose to delay the construction of the works until sufficient DCC funds have been collected. By treating DCC funds as a source of capital for the works, the local government can avoid having to front-end construction using borrowed funds.

Infill and mixed infill-greenfield developments that can benefit from a certain level of servicing already in place are considered to be particularly well-suited to DCCs. In these situations, the local government can postpone the construction of infrastructure until growth has materialized, and sufficient DCC revenues have been collected.

When should alternatives to DCCs be considered?

Greenfield developments, which typically do not have any level of servicing in place prior to growth occurring, are not always suited to DCCs. Greenfield sites can often require a significant up-front investment in infrastructure before development occurs and before DCCs can be collected. If the required works are part of the DCC program, it is the local government that is expected to front-end the works, and then recover up-front costs from growth as it occurs.

This reliance on DCCs as a method of cost-recovery can be difficult for local government. If growth does not occur as projected, the local government may not be able to recover all of its sunk costs.

What alternatives to DCCs exist?

It is important to recognize that DCCs are not the only development finance tool available to local governments in British Columbia. The *Development Finance Choices Guide*, published by the Ministry of Community Services, identifies and provides advice on other development finance tools that local governments can use to help fund the cost of infrastructure required by growth. The complete list of tools includes:

- Comprehensive development agreements
- Local improvements
- Specified areas
- User fees and charges
- Short-term borrowing
- Long-term borrowing
- Latecomer charges
- Development works agreements
- DCC credits and rebates
- Density bonusing
- DCCs
- Public-private partnerships
- Public-public partnerships

DCCs are probably the most popular tool in use today, but are clearly not the only one available. The key for local governments is to determine which tool, or set of tools, should be used at any given time. Different tools are both well-suited and poorly-suited to different types of situations. Chapter 6 of the *Development Finance Choices Guide* is designed to assist local governments in choosing the right approach for any given situation.

How do DCCs fit into a local government's growth management framework?

A local government's DCC program does not exist in isolation to the community's growth management framework. On the contrary, the DCC program is a critical element of the broader planning context that includes the local government's OCP and servicing plans. The accompanying figure illustrates how these key components fit together.

The OCP presents the local government's preferred long-term development pattern, which describes:

- where future growth will be encouraged;
- where growth will not be encouraged;
- what types of development (e.g., mixed-use, high density residential) will be encouraged; and,
- what types of development (e.g., low density residential) will not be encouraged.

The local government's servicing plans identify the specific types and amounts of infrastructure that are required to bring the preferred development pattern to fruition. Servicing plans are normally created for

all major types of local infrastructure, such as roads, waterworks, sewerage and drainage systems, as well as for parkland.

The local government's DCC program contains the individual works, identified in the servicing plans that are required to accommodate growth. The cost of each of the works is allocated in the program between growth and the existing population. The portion allocated to growth forms the basis of the DCC rates.

What is the importance of good planning to DCCs?

The OCP's preferred development pattern is a direct reflection of the local government's growth management objectives. Many local governments have adopted what are typically referred to as "smart growth" objectives. Smart growth emphasizes the importance of environmentally-sustainable and economically-efficient development, characterized by compact urban forms, high density, mixed-use developments and an increased reliance on alternative modes of transportation.

Development patterns that are based on smart growth objectives are less expensive to service than patterns which encourage low density, spatially-dispersed growth. The higher servicing costs associated with traditional low density "sprawl" result in higher DCCs.

How can DCCs be structured to promote smart growth objectives?

DCCs are collected from growth to help pay the cost of services required to accommodate the growth. Existing data demonstrate that the overall cost of providing services to compact, medium, or high density, mixed-use development is lower than the cost of servicing traditional low density, suburban development. DCCs can be structured to recognize the differences in service

costs, and to provide an incentive for smart growth developments. DCC sectors and density gradients are two mechanisms that can be used to achieve the desired effect.

DCC sectors can be established to separate compact, high density development areas from other parts of the community.

Infrastructure projects that are deemed to have no benefit to the growth within these sectors can be excluded from the sectors' DCC programs. The exclusion of such projects results in lower DCC rates.

Major (costly) trunk extensions and arterial roads required to service outlying development areas are examples of the types of projects that can be excluded from smart growth DCC sectors. Development that occurs in these sectors is not required to pay toward the cost of these projects.

Density gradients differentiate among developments on the basis of density rather than type of growth. Gradients are created to take advantage of the inverse relationship that exists between the density of a development and its impact on key services. In general, the lower the density of a development, the higher the impact of that development on the cost of providing water, wastewater and road infrastructure. Applying density gradients to growth serves to lower the DCC rates payable by higher density projects.

Most local governments with DCCs make use of a two-level residential density gradient that differentiates between single family and multi-family developments. Some local governments have four-level residential gradients that account for the different impacts of large- and small-lot single family dwellings, and of low-rise and high-rise apartment buildings.

Do DCCs deter development?

The total cost of developing a piece of land in a community can be broken into various individual components. The price of the land is one component, as is the cost of construction materials, the price of labour and the developer's return on investment, or the development's profit. DCCs – the cost of providing off-site infrastructure services to the land – represent another component. As the individual cost components change, so does the total cost of the development. Steep increases in individual costs can result in an overall cost that the market is unwilling to support. In such cases, development will be deterred.

DCCs, as one cost component, do affect the overall cost of development. A significant increase in DCCs could push the total cost above the level that the market is willing to pay, and could discourage development. The size of the DCC increase required to generate this result depends, in large part, on the magnitude of the other cost components. In markets where DCCs comprise a relatively large part of the total cost, changes in rates may have a considerable impact on development decisions.

The potential for DCCs to deter development is an important point for local governments to consider. In setting DCC rates, local governments need to recognize that the decisions they make will influence the overall cost of development in the community. Careful consideration needs to be given to the:

- amount of future infrastructure required (is it reasonable?);
- infrastructure cost projections (are they fair?);
- methods of allocating costs between growth and the existing population (is the split equitable?);

- rates charged to different sectors (do smart growth and infill developments pay in accordance with their lower relative impact on works, or do they subsidize greenfield projects?);
- need for a grace period (do developers need time to adjust to new rates?); and,
- assist factor (do the final rates need to be adjusted?).

The potential for DCCs to deter development should focus a local government's attention on the need to establish DCCs that are fair and reasonable. If DCCs have the potential to adversely impact development, local officials should consider the wider range of development finance tools that may be used in place of, or in addition to, DCCs. These are described in the *Development Finance Choices Guide*.

DCCs Across British Columbia

Who uses DCCs in British Columbia?

DCCs are a popular development finance tool in British Columbia. In high growth areas, such as the Lower Mainland, parts of Vancouver Island and the Central Okanagan, DCCs are quite common. The widespread use of DCCs in these regions reflects the strong demand for infrastructure to accommodate ongoing development. In regions characterized by more modest growth, DCCs are slightly less popular, but are still used. For example, several local governments in the Central Interior and Kootenay regions of the province have DCC bylaws in place.

Who charges what?

Comparisons of rates across communities are inherently problematic, in part because of differences in growth pressures and infrastructure needs, but also because of differences in the way that individual DCC programs are constructed. Local governments have considerable flexibility in setting DCC rates. The rates that are ultimately determined in any one jurisdiction will reflect that local government's decisions related to a wide variety of inputs, including the costing of works, the existing population's share of total infrastructure costs, the use of DCC sectors, the assignment of costs among development types, the units on which to base charges and the municipal assist factor. The rates will also reflect the local government's decision to use other development finance tools in place of, or in addition to, DCCs.

Notwithstanding the problems inherent with cross-jurisdictional DCC comparisons, elected officials may appreciate the opportunity to review the approaches taken in other communities. The table on the following page provides a general sense of current DCCs across British Columbia, specifically for residential development.

It should be noted that the figures presented in the table have been rounded-off, and certain assumptions have been made (see "comments" column) in order to generate comparable data.

For a list of detailed rates, as they apply to all types of development throughout each of the centres listed, the local government should be contacted directly. The Ministry of Community Services can also provide a list of DCCs being applied throughout the province.

Residential DCCs across BC – January 2004

Jurisdiction	SFR*	MFR*	Comments
Abbotsford	$ 13,700	$ 7,600	
Burnaby	$ 7,450 - $ 7,850	$ 5,000 - $5,400	both include GVS&DD charge; assumes 100m² MFR unit; high rate in Edmonds Town Centre
Castlegar	$ 4,800	$ 3,620	
Coquitlam	$ 14,500	$ 10,400	both include GVS&DD charge; assumes medium density MFR
Kelowna	$ 9,900 - $ 17,300	$ 7,500 - $ 13,000	lower rates are for City Centre; higher rates for outlying area
Langford	$ 6,100	$ 4,800	includes CRD water DCC; assumes medium density MFR
Nanaimo	$ 9,000	$ 6,000	assumes 100m² MFR unit; DCCs recently eliminated for City Centre
Parksville	$ 2,800 - $ 7,000	$ 5,000 - $ 5,500	ranges over sectors; assumes 100m² MFR unit
Prince George	$ 3,410	$ 1,900	core area; medium density MFR
Richmond	$ 14,300	$ 11,400	both include GVS&DD charge; assumes medium density MFR
Sidney	$ 970 - $ 3,225	$ 970 - $ 3,225	range for both types over sectors
Surrey	$ 21,000	$ 6,000 - $13,200	both include GVS&DD charge; medium density 100m² MFR unit assumed; low rate in City Centre

*Figures provided are per dwelling unit. SFR – Single Family Residential, MFR – Multi-family Residential, GVS&DD – Greater Vancouver Sewerage and Drainage District, CRD – Capital Regional District

Closing Comments

DCCs are a popular tool of development finance that can help a local government achieve its growth management and financial objectives, while at the same time promoting and supporting growth.

When considering DCCs, local government officials are encouraged to keep in mind certain guiding principles that have been addressed in this *Guide*. These principles are summarized below.

- **DCCs represent one choice.**
  DCCs represent one of the tools available to local governments in the provision of growth-related infrastructure. The *Development Finance Choices Guide* introduces and provides advice on other development finance tools. Certain tools are better suited than others to different development situations. Local government officials need to explore all options before choosing which tools to use.

- **DCCs should support broader growth management objectives.**
  DCCs are an integral component of the local government's growth management framework. They should be developed and applied in ways that support, rather than undermine, the broader growth management objectives.

- **Fairness and equity are critical in a DCC program.**
  Those who require and benefit from municipal infrastructure should pay their fair share of the cost of providing the infrastructure. DCC rates, and the decisions on which they are based, need to be fair and equitable to the various types of growth that are projected to occur, and to existing taxpayers.

- **Transparency in the rate-setting process is required.** DCCs will be scrutinized by the public, the development industry and reviewed by the Ministry of Community Services. Local government decisions related to project costs, allocation of costs, use of sectors, the assist factor and other issues should be well-reasoned and explained.

- **DCCs should be current.** Local governments should regularly update their DCC bylaws to ensure that the rates reflect changes to infrastructure needs and project costs, as well as changes to important growth management objectives. At the same time, notwithstanding the need for regular updates, developers do expect a certain degree of stability in rates over time. Major changes to DCC programs may create uncertainty and discourage development.

- **Stakeholder input is important.** DCCs impact many different organizations and individuals, including the development industry and existing ratepayers. All parties that may be affected by a DCC program should be afforded meaningful opportunities to participate in the DCC decision-making process.

For More Detailed Information

Ministry Best Practice Guides

Development Cost Charges Best Practices Guide
Development Finance Choices Guide
Available electronically through the search function of the British Columbia Government website at: www.gov.bc.ca

Or call

Ministry of Community Services
Intergovernmental Relations
and Planning Division 1-250-387-3394

Ministry of Community Services
Infrastructure and Finance Division 1-250-387-4060

Toll Free through Enquiry BC
In Vancouver call: 1-604-660-2421
Elsewhere in BC call: 1-800-663-7867